

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2001-78-E - ORDER NO. 2001-576

AUGUST 3, 2001

IN RE:	Application of GenPower Anderson, L.L.C.)	ORDER GRANTING
	for a Certificate of Environmental)	CERTIFICATE
	Compatibility and Public Convenience and)	
	Necessity to Construct and Operate a)	
	Generating Plant in Anderson County, SC.)	

This matter comes before the Public Service Commission of South Carolina (the Commission) on the Application of GenPower Anderson, LLC (GenPower or the Company) for a Certificate of Environmental Compatibility and Public Convenience and Necessity, pursuant to the provisions of S.C. Code Ann. Sections 58-33-10 et seq.(1976) and (Supp. 2000) (the Siting Act). Because the record of this proceeding establishes that GenPower has satisfied the statutory requirements for the relief that it seeks, the Commission will herein approve the Application and issue the requested Certificate.

Prior to the submission of its Application, GenPower published notice of its intent to apply for a Certificate under the Siting Act, as the provisions of Section 58-33-120(3) require. In addition, the Application included certification that GenPower had served a copy of the Application on those governmental officials and such other persons as Section 58-33-120(2) of the Siting Act requires.

Upon receipt of GenPower's Application, the Commission's Executive Director required the Company to publish a prepared Notice of Filing and Hearing which described the nature of the Application and advised all interested parties of the manner in

which they might intervene or otherwise participate in this proceeding. GenPower submitted an affidavit which demonstrated compliance with the Executive Director's instructions. Petitions to Intervene were received from the Consumer Advocate for the State of South Carolina (the Consumer Advocate), Piedmont Natural Gas Company, Inc. (Piedmont), South Carolina Electric & Gas Company (SCE&G), the Electric Cooperatives of South Carolina (the Cooperatives), Greenville Generating Company, LLC (Greenville Generating) and Carolina Power & Light Company (CP&L). Statutory parties to the proceeding were the South Carolina Department of Health and Environmental Control (DHEC), the South Carolina Department of Natural Resources (DNR), and the South Carolina Department of Parks, Recreation and Tourism (PRT).

On May 14, 2001, in accordance with Section 58-22-130 of the Siting Act, and with this Commission's Rules of Practice and Procedure, the Commission conducted an evidentiary hearing in this proceeding. GenPower was represented by Russell B. Shetterly, Esquire and Garrett A. Stone, Esquire. The Intervenor the Consumer Advocate was represented by Hana Pokorna-Williamson, Esquire. SCE&G was represented by Catherine D. Taylor, Esquire and Francis P. Mood, Esquire. Robert E. Tyson, Jr., Esquire, and Richard Dukes, Esquire represented the Cooperatives. Greenville Generating was represented by Larry Kristinik, Esquire. CP&L was represented by Len S. Anthony, Esquire and William F. Austin, Esquire. The following parties did not appear at the hearing: Piedmont, DHEC, DNR, and PRT.

GenPower presented the testimony of Larry Greer, Bruce J. Arnold, Art Holland, George Clarion Howroyd, III, and Thomas C. Coleman. Peter J. Lanzalotta testified for

the Consumer Advocate. CP&L presented the testimony of Verne B. Ingersoll, II. The Commission Staff presented the testimony of Brent L. Sires and A.R. Watts.

In addition to the testimony of these witnesses and the presentation of ten hearing exhibits, the record of this proceeding includes GenPower's Application, the various notices, and pleadings. Upon full review of the evidence in this proceeding, the Commission herein grants the relief which GenPower seeks, and issues this Order as the Certificate to construct and operate the proposed Facility. We base that decision on the following findings and conclusions.

FINDINGS OF FACT

1. GenPower Anderson, LLC is a limited liability company organized under the laws of the State of Delaware. GenPower is qualified to transact business in the State of South Carolina.

2. The proposed GenPower facility is a two-unit, combined-cycle, natural gas-fired combustion turbine generating plant with a potential generating capacity of up to 640 megawatts. The plant will be located on a site south of the Town of Gluck in Anderson County, South Carolina, and is anticipated to be in commercial operation by the fall of 2003. The project will pay in excess of \$1 million yearly in property taxes to Anderson County.

3. The proposed GenPower facility will consist of two combustion turbines. The turbines are manufactured by General Electric in Greenville, South Carolina. Each turbine will be equipped with a heat recovery steam generator that is designed to generate steam from the waste heat of the combustion turbine. The steam from these generators

will be combined to drive a single steam turbine generator whose electrical output will supplement that from the combustion turbine generators. Other facilities in the complex include an auxiliary boiler, water supply and treatment system, cooling systems, electrical interconnections, and other auxiliary equipment and structures. Construction costs for the project are estimated to be \$300 million.

4. During the construction phase, the project will employ 300-400 workers. There will be 25 full-time jobs available upon completion of the construction.

5. The proposed GenPower facility will be connected to the existing Duke Power Anderson Tie Station located south of the site. The transmission voltage will be 230 kV, and power will be delivered to the substation using a dedicated electric power transmission line. The interconnection with Duke Power will be through a switchyard at the GenPower Facility.

6. The project will utilize natural gas as its fuel source. The GenPower facility will interconnect directly with the Transcontinental Gas Pipeline Company natural gas pipeline located south of the GenPower facility.

7. The facility intends to operate as an “exempt wholesale generator” (EWG) and supply power to the wholesale power market.

8. GenPower has an agreement in principle to sell its entire output to a single purchaser for a term of 18 years, as per Hearing Exhibit 4.

9. The Facility is needed to enable GenPower to satisfy its contractual obligations under the agreement. In addition, GenPower presented persuasive evidence

that showed a need for the facility both in the region and in the State, even without consideration of the contract.

10. The impacts to the environment, as a result of the intended construction and operation of the Facility, will be minimal and not adverse.

11. Neither the Commission nor GenPower have received any adverse comments from any governmental agency responsible for environmental protection, land use planning, or other regulation of the site or the Facility.

12. GenPower and the Commission have satisfied all statutory requirements for notice and opportunity for hearing which the Siting Act describes.

DISCUSSION AND CONCLUSIONS OF LAW

1. GenPower's agreement in principle to provide its entire output to a single provider for a term of eighteen years duly establishes the need for the facility. However, the Company presented additional evidence that showed a need both in the region and in the State of South Carolina, even without the contract herein mentioned. With regard to the regional need, the testimony of Consumer Advocate witness Peter Lanzaotta showed that generation capacity adequacy has always been a consideration for at least North and South Carolina. "With the development of competition in wholesale markets, electric power supply adequacy and market prices for electricity in any one location are the result of factors over a far larger region." Tr., Vol. 1, Lanzaotta at 211. Lanzaotta also testified that "there is an apparent regional need for additional committed generation from both a reliability perspective and an economic perspective." This testimony and general approach is consistent with at least one past Order of this Commission. For example, in

Docket No. 88-519-E, Application of Duke Power Company for Construction of Jocassee-Tuckasegee 230-kV Transmission Line, the Commission held that the line in question, though built only partially in South Carolina, benefited the entire Duke Transmission System, which was located in both North and South Carolina. See Reply Brief of Commission Staff to Brief of Electric Cooperatives of South Carolina at 3-4.

The testimony of GenPower witness Art Holland opined that there is “a need for a substantial number of facilities similar in type to the GenPower facility over the next 10 years.” Tr., Vol. 1, Holland at 111. We would also note that we have previously taken into consideration regional needs in determining the need for another generating facility. In granting a Certificate of Environmental Compatibility and Public Convenience and Necessity to the Greenville Generating Company, we noted that that facility was “needed to meet anticipated demand in South Carolina and the Southeast.” Order No. 2001-194 at 20. The testimony of Company witness Holland also supported the need for capacity in South Carolina alone. Id.

A.R. Watts, a witness for the Commission Staff, further noted in his testimony that the three investor-owned utilities serving in South Carolina have indicated a need for additional capacity over the next ten years, and that they plan to meet these requirements “through a variety of resource options including...some combination of short and long term purchases.” Tr., Vol. 2, Watts at 388. Watts also stated that “the existence of the facility in question, I believe, would provide another option for our IOUs to meet the system demands without binding the utilities’ ratepayers to paying for the facility.” Id. at 390.

Accordingly, there is substantial evidence to support the “need” for the facility.

2. There are no adverse environmental impacts associated with the anticipated construction and operation of the Facility. Dr. George C. Howroyd, III testified that the probable impacts of the proposed facility would be minimal. Further, the proposed facility is “among the least environmentally intrusive alternatives to generate the power and energy to be supplied by the GenPower Facility.” Tr., Vol. 2, Howroyd at 295-296. The facility will utilize environmentally friendly clean burning natural gas. Further, the innovative approach of utilizing 5,000,000 gallons of treated wastewater each day for cooling purposes is environmentally friendly and will not deplete drinking water sources.

3. Considering the state of available technology and the nature and economies of various alternatives and other pertinent considerations, the impact of the Facility on the environment is justified. Company witness Howroyd testified that the minimal impact of the plant is justified, considering the available technology, the nature and economics of other alternatives and other relevant issues. Id. at 320-321.

4. There is a reasonable assurance that the Facility will conform to applicable state and local laws and regulations. Company witness Arnold testified that GenPower can and has offered reasonable assurance that the GenPower Facility will conform to all applicable State and local laws and regulations issued thereunder, including any allowable variance provisions. Tr., Vol. 1, Arnold at 34.

5. The evidence demonstrates that the GenPower Anderson Facility will serve the interests of system economy and reliability. The testimony of Company witness

Holland states that, in addition to enhancing reserve margins, the proposed facility will add support to the grid and will be able to provide necessary ancillary services, including load following and voltage support. Tr., Vol. 1, Holland at 133. Holland also states that, without the construction of additional capacity such as the GenPower Facility, reserve margins in South Carolina and the region will continue to decline, thus threatening the economy and reliability of the electric system. Id. at 105. As to system economy, Holland testified that the proposed facility would contribute to system economy by contributing to maintenance of an adequate supply of generation in the market, by operating efficiently, and by providing fuel diversity. Id. at 134. Also, system economy is served by the efficiency of the combined-cycle technology being utilized by GenPower, when compared with the efficiency of alternative power generation options and existing resources. Id. at 128; Tr., Vol. 2, Coleman at 337-338; Tr., Vol. 1, Lanzalotta at 217, 220-221. Staff witness Watts, testifying to the reliability, states that in addition to GenPower absorbing the cost to integrate the Facility into the grid, it will also be required to comply with the North American Electric Reliability Council's standards for plant operations. Tr., Vol. 2, Watts at 389. This evidence is enough to convince us that the GenPower Facility serves the interests of system economy and reliability.

6. Public convenience and necessity require the construction of the Facility. First, all of the business risk and costs associated with the GenPower Facility will be borne by GenPower's investors, and not by the citizens of South Carolina. Tr., Vol. 1, Arnold at 33. In addition, GenPower will be paying for all transmission upgrades, which strengthen the grid and provide enhanced reliability. There will be no negative impacts

to South Carolina residents arising from GenPower's use of the electric transmission system or natural gas pipeline system. Id. With regard to the use of gas from Transco as the generation fuel, we believe that natural gas authorities and communities will benefit from the Transco expansion due to this and other projects coming to South Carolina. GenPower will build its plant on only one of a number of available sites throughout the State of South Carolina. Id. at 41. The addition of the new generation will, all other things being equal, strengthen the local transmission grid and enhance reliability. Id. at 43. Further, construction of the plant will enhance employment opportunities in the Anderson area, and contribute to the local government's tax base. Id. at 47; Tr., Vol. 1, Greer at 12. The turbines from the project will be manufactured in South Carolina. Tr., Vol. 1, Arnold at 47. Finally, according to studies conducted by Pace Global Energy Services, Inc., there is a need for additional capacity in the region (Tr., Vol. 1, Holland at 110-111), and in South Carolina (Id. at 116-117). The investor-owned utilities regulated by this Commission have reflected a need for an additional 13,000 MW of generation through 2010. This facility will provide an alternative resource to meet the current load projections. Tr., Vol. 2, Watts at 388-389.

CONCLUSION

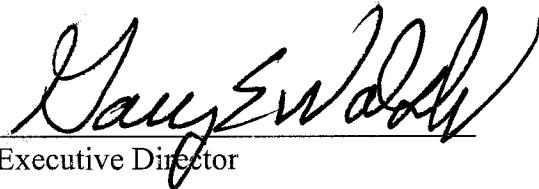
Based on the discussion above, we hereby grant GenPower Anderson, LLC a Certificate of Environmental Compatibility and Public Convenience and Necessity to construct and operate the described facility. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Chairman

ATTEST:



Executive Director

(SEAL)